

To Kent Morgan
From Keith Brown

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This is a lot to talk about
I saw conceptual problems
with some of the discussion.
Early I
can not be the

Water and Wastewater Guiding Principles

Finance Work Group

Review Draft for January 22, 2003 Meeting

("improvements")

1. The City's capital improvement program for water and wastewater facilities should ~~reflect and directly~~ advance the urban growth patterns set forth in the City's adopted Comprehensive Plan.

The ~~water and wastewater capital improvements~~ needed to support the 12 year urban growth shown in the adopted Comprehensive Plan in general can be ~~accommodated~~ through the use of revenue bond financing. Our financial projections do not include inflationary cost increases that may occur over that time.

Accomplish

1. The City of Lincoln has the potential bonding capacity to support long-term ~~and to accommodate~~ expansion of capital facilities for its municipal water and wastewater systems through a carefully managed issuance of additional revenue bonds.

The replacement projects

1. This potential bonds capacity assumes the following conditions:
 - modifying the City's current bond issuance practices, i.e., long maturities;
 - systematic increases in utility user rates;
 - implementing development impact fees; and,
 - a one time 7 percent increase in water rates effective immediately.

1. The term (i.e., amortization period) for future revenue bonds should be increased from ~~the current practice of 15 to 20 years to revenue bonds fully amortized over 25 years.~~ This will lower the average annual debt service for future revenue bonds while fully repaying the bonds within the useful economic life of the capital improvements.

repaying

to reflect the economic life of the asset but not exceed 30 years.

The City should continue its practice of only financing assets with an estimated useful life of 15 years or greater. Assets with an estimated useful life of less than 15 years should be financed through operations.

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1. The City should manage its total outstanding water and wastewater debt to maintain an overall average debt service coverage ratio within a range of 1.50 to 1.70 percent. It is understood that at the time of issuance of any new debt, the debt service coverage ratio must be at least 1.25.

1. The City should manage its water and wastewater systems to ensure that the current bond ratings of AA+ Standards & Poors and Aa2 from Moodys are maintained. ~~It is important that the water and wastewater systems be managed so that there is no negative impact on~~

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~~the City's General Obligation debt ratings.~~ *should have no impact unless bankrupt*

1. ~~The issuance of substantial amounts of new water and wastewater revenue bonds over the next ten years could limit the City's future ability to issue similar bonds.~~ *not have with growth and rate increases*
1. The City should embark upon a disciplined approach for systematically ~~increasing water and wastewater utility rates.~~ *reviewing and change appropriately the* Based on current projections, annual rate increases of 3 to 5 percent should be adequate to finance growth needs. We recommend that annual increases not exceed 5 percent in any given year.
1. The City should ~~prepare a long-term financial plan and update this plan on an annual basis. This plan should include a comparison of the City's overall utility rate burden with the overall utility rate burdens of cities which are considered to be primary competitors for attracting new employers to determine if Lincoln is remaining competitive.~~ *may plan*

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January 21, 2003 (9:07AM)

Similar

prime

*The design of plan and its goals will
be determine at the end of the appropriate
study.*